

## Message Text

SECRET

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 PM-03 INR-05 CIAE-00 SP-01

OES-02 PRS-01 NSC-05 NSCE-00 NEA-06 EA-06 AF-04 ARA-06

SSO-00 INRE-00 /065 W

----- 012285

O R 272045Z MAR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC NIACT IMMEDIATE 8369

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

S E C R E T SECTION 1 OF 2 BRASILIA 2323

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, BR

SUBJECT: HOST GOVERNMENT POSITIONS FOR A CONSUMER/PRODUCER CONFERENCE

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REF: STATE 67363

1. SUMMARY - GOB HAS DEVELOPED FEW FIXED VIEWS ON FORTHCOMING OIL CONSUMERS-PRODUCERS CONFERENCE. GOB SUPPORTS RELATIVELY SMALL CONFERENCE, INCLUDING TWO TO THREE LATIN AMERICAN CONSUMER COUNTRIES, IN LINE WITH BOTH IEA POSITON AND DECLARATION OF ALGIERS. IT BELIVES SOME DISCUSSION OF OTHER RAW MATERIALS WILL BE POLITICALLY NECESSARY. END SUMMARY.

2. IN MEETING ON MARCH 26, ECON COUNSELOR DISCUSSED BRAZILIAN VIEWS FORTHCOMING PREPCON WITH AMBASSADOR CABRAL DE MELLO, HEAD FONOFF ECONOMIC DEPARTMENT. CABRAL DE MELLO SAID GOB HAD DEVELOPED FIEW FIXED POSITONS ABOUT SCOPE AND STRUCTURE OF CONFERENCE. HE REVEALED THAT THERE WOULD BE WHAT HE VARIOUSLY DESCRIBED AS A "DISCUSSION" OR "COORDINATION" MEETING AMONG THE "SEVEN LDCS" PARTICIPATING IN THE PREPCON. THE EARLIER IDEA OF AN LDC CAUCUS, RECOMMENDED BY THE DAKAR CONFERENCE, HAD "FORTUNATELY" BEEN ABANDONED. CABRAL DE MELLO NOTED, WITH SOME IRONY, EFFORTS AT THE POST-DAKAR MEETING IN HAVANNA TO DISQUALIFY BRAZIL AS A PARTICIPANT IN THE FORTHCOMING MEETING. "THE WORLD IS CHANGING EVERY DAY," HE SAID, AND GOB WILL HAVE TO REMAIN FLEXIBLE.

3. ON SPECIFIC ISSUES, CABRAL DE MELLO SAID:

A. SIZE OF CONFERENCE - THERE SEEMED TO BE CONVERGENCE OF VIEWS BETWEEN IEA AND OPEC THAT CONFERENCE SHOULD BE RELATIVELY SMALL. ALGIERS DECLARATION WAS VERY CLEAR ON THIS POINT. GOB HELD NO FIRM VIEWS ON SPECIFIC PROPOSALS SUCH AS ALGIERS 12-6-6 FORMULA.

B. FOCUS OF CONFERENCE - BRAZIL AGREED THAT CONFERENCE SHOULD FOCUS ON ENERGY, WHICH WAS ITS CENTRAL PURPOSE. SOME DISCUSSION OF BROADER QUESTIONS OF RAW MATERIALS PRICES AND MARKETS WOULD BE NECESSARY, HOWEVER, FOR POLITICAL REASONS. DEPENDING ON DIRECTION WHICH CONFERENCE WOULD TAKE, THERE MIGHT BE GOOD SUBSTANTIVE REASONS AS WELL FOR SOME CONSIDERATION OF THE BROADER IMPLICATIONS OF THE TREATMENT OF ENERGY ISSUES FOR OTHER COMMODITIES.

C. CONFERENCE AGENDA - BRAZIL HAD NO FIRM VIEWS ON THIS. "NO ONE HAS YET PRESENTED US WITH AN OFFICIAL PROPOAL." COUNSELOR NOTED SECRETARY'S FIVE POINTS. CABRAL DE MELYPABLO  
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ACKNOWLEDGED THESE BUT NOTED WIDELY DIVERGENT VIEWS ON SUBSTANTIVE SCOPE OF CONFERENCE, PARTICULARLY ON EXTENT CONFERENCE SHOULD GET INTO A DISCUSSION OF BROADER FINANCIAL ISSUES. GIVEN BRAZIL'S ROLE IN THE CONFERENCE, GOB DOES NOT CONSIDER IT APPROPRIATE, AT THIS POINT, TO ADVANCE A SPECIFICALLY BRAZILIAN POSITON IN RESPECT TO THE CONFERENCE AGENDA.  
D. TIMING, SITE AND CHAIRMANSHIP - CABRAL DE MELLO TOOK A NEGATIVE VIEW OF ALGIERS AS A SITE, SINCE COMMUNCA-

TIONS WOULD BE INADEQUATE. HE THOUGHT PARIS WAS A LOGICAL CHOICE OR, --PERHAPS PREFERABLY -- GENEVA, IN VIEW OF THE PRESENCE OF UN FACILITIES THERE. HE HAD NO VIEWS ON TIMING. HE WONDERED WHETHER ANYONE "WOULD REALLY WANT TO BE" CHAIRMAN OF THE CONFERENCE. BRAZIL WAS NOT IN THE RUNNING.

E. NORTH-SOUTH POLARIZATIO - BRAZIL AGREED THAT IT WAS IMPORTANT TO AVOID NORTH-SOUTH POLARIZATION. (CABRAL DE MELLO, HOWEVER, MANAGED TO AVOID AN EXPLICIT PLEDGE OF FULL AND UNQUALIFIED SUPPORT FOR SUCH EFFORTS.)

F. BRAZIL'S ROLE - AT FORTHCOMING PREPCON, BRAZIL WOULD BE SPEAKING ESSENTIALLY FOR ITSELF. IT HAD NO MANDATE FROM OTHER LATIN AMERICAN COUNTRIES. THERE HAD BEEN NO MEETING, NOR -- HE CLAIMED -- WAS A MEETING PLANNED AT THIS POINT TO CONCERT LATIN AMERICAN POSITIONS OR SETTLE THE QUESTION OF LATIN AMERICAN PARTICIPATION IN THE FULL CONFERENCE.

G. LATIN AMERICAN PARTICIPATION - CABRAL DE MELLO DESCRIBED THE QUESTION OF THE SELECTION OF LATIN AMERICAN PARTICIPANTS IN THE FULL CONFERENCE AS EXTRA-ORDINARILLY COMPLEX. MANY OF THE COUNTRIES -- MEXICO, ARGENTINA, COLOMBIA, BRAZIL, ETC. --- ARE MAJOR PRODUCERS AS WELL AS CONSUMERS, AND HE FORESAW UNUSUAL DIFFICULTIES IN MAKING A SELECTION. CABRAL DE MELLO THOUGHT THAT THREE CONSUMER COUNTRIES FOR LATIN AMERICA WAS ABOUT THE RIGHT NUMBER, GIVEN THE PROSPECTIVE SIZE OF THE CONFERENCE BUT, SIGNIFICANTLY, HE DID NOT SUGGEST THAT THE SELECTION PREFERABLY BE MADE BY A LATIN AMERICAN CAUCUS. HE DID NOT DEMUR WHEN IT WAS SUGGESTED THAT PERHAPS THE PREPCON ITSELF SHOULD SIMPLY DECIDE ON OTHER COUNTRIES TO BE INVITED TO AN ENLARGED FULL CONFERENCE.

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S E C R E T SECTION 2 OF 2 BRASILIA 2323

LIMDIS

4. THROUGHOUT THE DISCUSSION, CABRAL DE MELLO EMPHASIZED THAT, AT LEAST TO BRAZILIAN EYES, THE SITUATION WITH RESPECT TO MOST ASPECTS OF THE CONFERENCE REMAINED EXTREMELY FLUID. HE HAD DISCUSSED THE FORTHCOMING PREPCON WITH THE FRENCH AMBASSADOR, AND THAT DISCUSSION SEEMS TO HIM TO CONFIRM  
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THIS IMPRESSION. BRAZIL'S POSITION, IN ANY CASE, WAS A SOMEWHAT SPECIAL ONE, SINCE A SOLUTION TO BRAZIL'S PROBLEM WAS IN SIGHT --ALTHOUGH MORE DISTANT THAN HAD BEEN HOPED-- IN THE DEVELOPMENT OF THE NEW CAMPOS OIL DISCOVERY. IN SOME RESPECTS, THE FINANCIAL QUESTIONS -- SUCH AS BRAZIL'S POSITION IN RELATION TO THE PETRO-DOLLAR RECYCLING PROBLEM AND THE IMPLICATIONS OF THE NEW "FINANCIAL SAFETY" NET IN THE OECD WERE THE MOST IMPORTANT QUESTIONS FOR BRAZIL. HOWEVER, HE DID NOT MEAN TO SUGGEST BY THIS THAT THESE QUESTIONS SHOULD NECESSARILY BE DISCUSSED IN EXTENSO AT THE OIL CONFERENCE.

5. AS A SIGNIFICANT SIDE LIGHT, CABRAL DE MELLO LISTENED WITH OBVIOUS INTEREST TO THE DESCRIPTION, BASED ON DAVIGNON'S PRESS STATEMENT (WHICH HE HAD NOT SEEN), OF THE RESULTS OF THE MOST RECENT IEA MEETINGS, IN PARTICULAR, THE AGREEMENT ON EXPANDED COOPERATION IN JOINTLY SUPPORTED ENERGY RESEARCH AND DEVELOPMENT AND THE AGREEMENT ON SPECIFIC MEASURES OF ASSISTANCE FOR INVESTMENT ON A PROJECT-BY-PROJECT BASIS INSIDE AND OUTSIDE OF OECD

AREA. HE WAS INTERESTED IN THE COUNTRIES NOW MEMBERS OF THE IEA AND THEIR RELATIONSHIP TO THE OECD. THE CONCLUSION WAS DIFFICULT TO AVOID THAT, AT LEAST AT THE CABRAL DE MELLO LEVEL, THERE WAS SOME INTEREST IN AN ULTIMATE LINK BETWEEN BRAZIL AND AT LEAST SOME OF THE OECDs OR IEAS ACTIVITIES.

6. IN AN ASIDE, AMBASSADOR CABRAL DE MELLO NOTED THAT BRAZIL NOW HAS 130 DAYS OIL STOCKS AND THAT NATIONAL POLICY IS TO INCREASE THIS FIGURE TO 150 DAYS. BRAZIL'S PRODUCTION COSTS -- CURRENTLY ON THE ORDER OF \$4 A BARREL -- WERE FAR LOWER THAN ANY LIKELY FUTURE MINIMUM IMPORT PRICE AGREED TO BY THE IEA. THERE WAS A COST DIFFERENTIAL OF ABOUT \$1.50 A BARREL BETWEEN LAND-BASED AND CURRENT OFFSHORE PRODUCTION; PRODUCTION COSTS FROM THE NEW CAMPOS DISCOVERY, HOWEVER, WOULD BE HIGHER. IT WAS HIS IMPRESSION THAT PETROBRAS OFFICIALS SEEMED TO THINK, HE SAID, THAT -- US\$SSING ALASKA OIL, FOR EXAMPLE, AS A BENCHMARK -- A POSSIBLE MINIMUM IMPORT PRICE FOR THE IEA MIGHT BE IN THE \$8 A BARREL RANGE.

7. AMBASSADOR CABRAL DE MELLO REQUESTED NAME OF CHAIRMAN US DELEGATION TO PREPCON SO THAT GOB COULD MAKE DECISION ON APPROPRIATE LEVEL OF REPRESENTATION. EMBASSY  
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REQUESTS NAME OF US CHAIRMAN, WHEN AVAILABLE, AND AUTHORITY TO INFORM GOB.  
CRIMMINS

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## Message Attributes

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